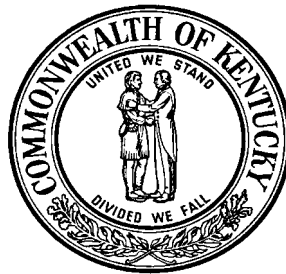


**REPORT OF THE AUDIT OF THE
FLOYD COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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**105 SEA HERO ROAD, SUITE 2
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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Paul H. Thompson, Floyd County Judge/Executive
Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Floyd County, Kentucky, for the year ended December 31, 2002.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Floyd County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
FLOYD COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FLOYD COUNTY SHERIFF

For The Year Ended
December 31, 2002

Ross & Company, PLLC, has completed the Floyd County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$7,429 from the prior calendar year, resulting in excess fees of \$57,688 as of December 31, 2002. Revenues increased by \$42,849 from the prior year and disbursements increased by \$35,420.

Debt Obligations:

Capital lease principal agreements totaled \$98,027 as of December 31, 2002. Future principal and interest payments of \$78,170 are needed to meet these obligations.

Report Comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Fiscal Court Shall Set Maximum Salary Allowed For Deputies

Deposits:

The Sheriff's deposits were not insured and collateralized by bank securities or bonds.

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To the People of Kentucky
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Robbie Rudolph, Secretary
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Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Floyd County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Paul Hunt Thompson, Floyd County Judge/Executive
Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Fiscal Court Shall Set Maximum Salary Allowed For Deputies

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company, PLLC

Audit fieldwork completed -
December 11, 2003

FLOYD COUNTY
JOHN K. BLACKBURN, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants		
COPS Grant	\$	52,050
Lake Patrol		12,375
State Grants		400
State - Kentucky Law Enforcement Foundation Program Fund		29,946
State Fees For Services:		
Finance and Administration Cabinet	\$	135,923
Transporting Prisoners		<u>4,621</u>
		140,544
Circuit Court Clerk:		
Sheriff Security Service	\$	16,892
Fines and Fees Collected		<u>1,642</u>
		18,534
Fiscal Court		71,252
County Clerk - Delinquent Taxes		8,168
Commission On Taxes Collected		324,265
Fees Collected For Services:		
Auto Inspections	\$	17,890
Accident and Police Reports		1,772
Serving Papers		45,860
Carrying Concealed Deadly Weapon Permits		9,540
Penalties on Taxes Collected		<u>88,101</u>
		163,163
Other:		
Tansporting Mental Patients	\$	11,382
Community Policing		86,348
Miscellaneous		<u>1,883</u>
		99,613
Interest Earned		5,190
Borrowed Money:		
State Advancement		<u>88,399</u>
Total Receipts	\$	<u>1,013,899</u>

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY
 JOHN K. BLACKBURN, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	339,075	
Clerk Salaries		177,551	
Other Salaries		<u>4,709</u>	\$ 521,335

Employee Benefits-

Employer's Share Social Security	\$	43,181	
Unemployment Insurance		<u>6,936</u>	50,117

Contracted Services-

Advertising			689
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Materials and Supplies-

Office Materials and Supplies	\$	13,045	
Uniforms		<u>15,433</u>	28,478

Auto Expense-

Gasoline	\$	38,520	
Maintenance and Repairs		<u>57,609</u>	96,129

Other Charges-

Conventions and Travel	\$	2,958	
Training		543	
Dues		862	
Postage		11,557	
Radio Expense		3,036	
Accounting Fees		7,733	
Transport Expense		2,455	
Bonds		2,567	
DARE Expenses		3,703	
K-9 Expense		731	
Refunds		60	
County Collections		10,270	
Carrying Concealed Deadly Weapon Permits		6,740	
Miscellaneous		<u>1,442</u>	54,657

Capital Outlay:

Vehicle Expense			41,557
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Debt Service:

State Advancement			<u>88,399</u>
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Total Disbursements			<u>\$ 881,361</u>
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The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY
 JOHN K. BLACKBURN, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Net Receipts		\$	132,538
Less: Statutory Maximum	\$	71,153	
Training Incentive Benefit		<u>3,695</u>	<u>74,848</u>
Excess Fees Due County for 2002		\$	57,690
Payments to County Treasurer - January 15, 2003			57,624
March 10, 2003			65
April 8, 2003			<u>1</u>
Balance Due at Completion of Audit		<u>\$</u>	<u>0</u>

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year.

FLOYD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2002
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 12, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$69,790 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end or as of December 12, 2002.

	<u>Bank Balance</u>
FDIC insurance	\$ 200,000
Collateralized with securities held by pledging depository institution in the county official's name	76,677
Uncollateralized and uninsured	<u>69,790</u>
Total	<u>\$ 346,467</u>

Note 4. Drug Awareness Resistance Education Program

During 2002, the County Sheriff maintained a bank account that contains donations received to fund the advertisement of Drug Awareness Resistance Education Program. The beginning balance was \$40. The bank account had no activity during the calendar year 2002, leaving an ending balance, as of December 31, 2002, of \$40.

FLOYD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2002
 (Continued)

Note 5. Lake Patrol

The County Sheriff received and expended \$12,375 during 2002 for patrolling Dewey Lake.

Note 6. Leases

The Sheriff's office is committed to the following lease agreements as of December 31, 2002:

Item Purchased	Annual Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2002
Tahoe	\$ 19,500.00	2 Yrs.	2003	\$ 19,500.00
3 Crown Victorias	19,556.75	4 Yrs.	2005	58,670.25

COMMENTS AND RECOMMENDATIONS

FLOYD COUNTY
JOHN K. BLACKBURN, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On December 12, 2003, \$69,790 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Sheriff's Response:

None.

The Fiscal Court Shall Set Maximum Salary Allowed For Deputies

During the course of our audit, we discovered that the Sheriff did not ask the Fiscal Court to approve the maximum amount the Sheriff would be allowed to expend on deputies salaries. KRS 64.530 states that . . . the fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation for each deputy and assistant. We recommend the Sheriff request the fiscal court to approve maximum salaries for deputies each year as required by KRS 64.530.

County Sheriff's Response:

None.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Paul Hunt Thompson, Floyd County Judge/Executive
Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Floyd County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated December 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Floyd County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Fiscal Court Shall Set Maximum Salary Allowed For Deputies

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.

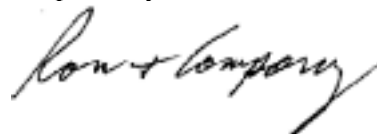
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
December 11, 2003

